

December 18, 1970

CIRCULAR NO. A-100

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Cost sharing on research supported by Federal agencies

1. Purpose. This Circular provides guidelines for Federal agencies concerning participation by the performing organizations in the cost of research supported by Federal agencies. This Circular rescinds and replaces Circular No. A-74, dated December 13, 1965. The Circular is not primarily for the purpose of implementing specific statutory requirements for cost sharing, but rather to provide guidance to all agencies regarding cost sharing, whether or not it is required by statute. Guidance is provided for determining:

- a. The amount of cost sharing to be obtained when cost sharing is required by statute; and
- b. Whether performing organizations should be requested to participate in the cost of the research even though cost sharing is not required by statute, and if so, in what amount.

2. Scope.

a. These guidelines are applicable to all Federal agencies' research grants, contracts or other research agreements (hereinafter referred to collectively as research agreements) with educational institutions, other not-for-profit or non-profit organizations, commercial or industrial organizations, or any other recipients except other Federal agencies. The term "research" as used in this Circular includes both basic research and applied research.

b. These guidelines need not be applied to development projects, i.e., projects for which the principal purpose is the production of, or design, testing or improvement of, products, materials, devices, systems or methods. However, agencies may apply some or all of these guidelines to development projects as they consider appropriate.

(No. A-100)

c. This Circular is not intended to provide complete guidance on the implementation of all statutory requirements for cost sharing which may be applicable to particular agencies. The agencies shall be responsible for assuring compliance with such statutory requirements.

3. Effective date. The guidelines set forth in this Circular shall be applied to all research agreements which are awarded or extended with additional funds after March 31, 1971, and may be observed earlier.

4. Agency procedures. All agencies shall establish administrative procedures to assure that responsible agency personnel give appropriate consideration to the need for or desirability of cost sharing and the amount of such cost sharing by performing organizations, in accordance with the policies and principles of this Circular. A copy of such administrative procedures, including any procedures developed at the operational level as well as those at the Departmental or agency level, shall be furnished to the Office of Management and Budget within 90 days after the effective date of this Circular.

5. Cost participation by performing organizations.

a. Participation by performing organizations in the cost of conducting research projects is intended to serve the mutual interests of the Federal Government and the performing organizations by helping to assure efficient utilization of the resources available for the conduct of research projects and by promoting sound planning and prudent fiscal policies by the performing organizations. In implementing the guidelines of this Circular, Federal agencies should exercise care to assure that their procedures and practices reflect these mutual interests and the research needs of the Federal Government.

b. Agencies shall require performing organizations to contribute to the cost of performing research under Federal research agreements if the agency is required by statute to obtain such cost sharing. If cost sharing is not required by statute, agencies shall encourage organizations to contribute to the cost of performing research under Federal research agreements unless the agency concludes that a request for cost sharing would not be appropriate because of any of the following circumstances:

(1) The particular research objective or scope of effort for the project is specified by the Government rather than proposed by the performing organization; this would usually include any formal Government request for proposals for a specific project.

(No. A-100)

(2) The research effort has only minor relevance to the non-Federal activities of the performing organization, and the organization is proposing to undertake the research primarily as a service to the Government.

(3) The organization has little or no non-Federal sources of funds from which to make a cost contribution. Cost sharing should generally not be requested if cost sharing would mean that the Government would have to provide funds through some other means (such as fees) to enable the organization to cost share. It should be recognized that those organizations which are predominantly engaged in research and development and have little or no production or other service activities may not be in a favorable position to make a cost contribution.

c. Except when cost sharing is required by statute, cost sharing need not be a prerequisite to the award of a research agreement if the agency concludes that payment of the full cost of the research effort is necessary in order to obtain the services of the particular organization.

6. Amount of cost sharing. When cost sharing is required or determined to be appropriate in accordance with paragraph 5, the amount of cost participation by the performing organizations may vary in accordance with a number of factors relating to the performing organization, and the character of the research effort. In the final analysis, the amount of cost participation should reflect the mutual agreement of the parties, provided that it is consistent with any statutory requirements. Factors which the agencies may consider in any negotiations with performing organizations regarding the amount of cost participation, include the following:

a. Cost participation by educational institutions and other not-for-profit or non-profit organizations should normally be at least 1% of total project cost. In many cases cost sharing of less than 5% of total project cost would be appropriate in view of the organizations' non-profit status and their normally limited ability to recover the cost of such participation from non-Federal sources. However, in some cases it may be appropriate for educational institutions to provide a higher degree of cost sharing, such as when the cost of the research consists primarily of the academic year salary of faculty members, or when the equipment acquired by the institution for the project will be of significant value to the institution in its educational activities.

(No. A-100)

b. The amount of cost participation by commercial or industrial organizations should depend to a large extent on whether the research effort or results are likely to enhance the performing organization's capability, expertise or competitive position, and the value of such enhancement to the performing organization. It should be recognized that those organizations which are predominantly engaged in research and development and have little or no production or other service activities may not be in a favorable position to derive a monetary benefit from their research under Federal agreements. Therefore, cost participation by commercial or industrial organizations could reasonably range from as little as 1% or less of the total project cost, to more than 50% of total project cost.

c. If the performing organization will not acquire title to or the right to use inventions, patents or technical information resulting from the research project it would generally be appropriate to obtain less cost sharing than in cases in which the performer acquires such rights.

d. When cost sharing is required by statute, cost participation of less than 1% may be appropriate if any of the circumstances listed under 5.b. of this Circular are present.

e. A relatively low degree of cost sharing may be appropriate if, in the view of the Federal agency, an area of research requires special stimulus in the national interest.

f. A fee or profit will usually not be paid to the performing organization if the organization is to contribute to the cost of the research effort, but the amount of cost sharing may be reduced to reflect the fact that the organization is foregoing its normal fee or profit on the research. However, if the research is expected to be of only minor value to the performing organization and if cost sharing is not required by statute, it may be appropriate for the performer to make a contribution in the form of a reduced fee or profit rather than sharing the costs of the project.

7. Administration.

a. Cost participation may be accomplished by a contribution to any of the cost elements of research projects supported by Federal research agreements, either direct or indirect costs, provided that such costs would otherwise be allowable in accordance with any cost principles applicable to the research agreements, and that the costs are not charged to the Federal Government under any other grant or contract.

(No. A-100)

b. The amount of cost participation by a performer may be determined for each individual research project, or, if the supporting agency desires, for the aggregate of all or some of the research projects supported by an agency at a given organization. When the amount of cost sharing is determined for individual projects, the supporting agency may consider the organization's participation over the total term of the project so that a relatively high contribution in one year may be offset by a relatively low contribution in another year. If the amount of cost sharing is to be determined for the aggregate of all or some of the agency's projects at an organization, the Federal agency and the performer may agree that relatively high contributions on some projects may be offset by relatively low contributions on other projects.

c. Federal agencies shall require recipients of research agreements to maintain records of all research project costs claimed by the performer as being its contribution, as well as records of costs to be paid by the Government. Such records should be subject to audit by the Federal Government.

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DIRECTOR

(No. A-100)